GLOBAL DEVELOPMENT TRENDS

“As the economy grows rapidly, is our pristine nature, education, health system, nomadic culture and historic heritage being safeguarded?”
As the world's economy and population grows, there is increased demand on available natural resources. This has resulted in significant environmental, social and economic impacts. Climate change, soil degradation, air and water contamination, malnutrition, energy and food insecurity are some of the issues that humanity faces today. These challenges have resulted in increasing poverty and hunger levels and have the potential to undermine global efforts on sustainable socio-economic development.

Global environmental and social initiatives that promote economic growth have garnered strong support worldwide, highlighting the importance of sustainable operations. Sustainable development is a development concept that promotes balanced economic, social and environmental growth without compromising the needs and abilities of either the current or future generations.

From ancient times, Mongolians crafted traditions and customs to live in harmony with the environment, passing these on to their future generations through example. This is why present-day Mongolia still has well-preserved unique natural landscapes, biodiversity and rare species of flora and fauna.

This heritage is however being challenged as we witness growing levels of inefficient consumption, rapid urbanization and industrialization. The increasing disregard for the depletion of energy and natural resources has clearly left negative footprints on the environment and ecology of our country. We are not immune to the increasing greenhouse emissions, rising levels of poverty and unemployment, infringements on human rights, lack of workplace safety, and emerging conditions that endanger our unique nomadic traditions and cultural heritage.

Putting our challenges in perspective:
- In 699 locations of 20 provinces, 4,256 hectares of land has been exploited and yet left unrehabilitated
- Pasture vegetation has decreased by 25%
- Average temperature has increased by 2.16°C since 1940
- 72.3% of the land has been degraded while 65.1% is affected by desertification
- Over 800 rivers and springs, 483 lakes and marshlands have dried up and disappeared
- Forestland has shrunk by 3.6% and forest resources have become more scarce
- Frequency of natural hazards and disasters has increased
- Drinking water contamination has created favourable conditions for the spread of contagious diseases
- Ulaanbaatar city's air quality falls 2-10 times below international accepted quality standards

All of these challenges and more only serve to remind us daily that disregard and inaction are no longer options and the time has come for a collective solution.
WHAT IS SUSTAINABLE FINANCE?

“WITH A STRONG PUBLIC-PRIVATE-CIVIL SOCIETY PARTNERSHIP AND MUTUAL SUPPORT, WE CAN CREATE A POSITIVE SUSTAINABLE FUTURE.”

A number of countries around the world are implementing various levels of sustainable financing initiatives, considering its effectiveness in sustainable development. Sustainable finance takes into account the risks and impacts on the environment and communities when business entities make investments, lending or any other financing decisions. Where possible, they develop remedial measures to mitigate the risks and impacts identified. In cases where no remedial options are possible, such entities may refuse financing given the significant negative impact identified. Globally, sustainable finance principles and guidelines have been or are in the process of being developed with the intention to mainstream environmental and social considerations into the investment, lending and financial decision-making processes.

In recognition that banks and other financial institutions play a critical role in the economic development of Mongolia, these institutions have unanimously committed to integrate environmental and social considerations into their banking practices. This commitment resulted in the signing of a “Joint Commitment Statement to Develop Sustainable Banking Practices in Mongolia” on November 21, 2013 with the decision to implement the Mongolian Sustainable Finance Initiative.

Following this decision, a working group convened by the Mongolian Bankers Association and composed of members from all banks, the Central Bank of Mongolia, the Ministry of Environment, Green Development and Tourism, and Financial Regulatory Commission was established. The working group has formulated the Sustainable Finance Principles and sector guidelines for mining, agriculture, construction and manufacturing, reflecting on the pressing environmental and social issues faced by Mongolia. The Mongolian Sustainable Finance Principles will be implemented by all Mongolian banks starting from the first quarter of 2015.

*ToC-abbreviation of sustainable finance in Mongolian, and the registered brand name of the Mongolian Sustainable Finance Initiative
Mongolian Sustainable Finance (ToC) Principles

**Protect**

**Principle 1 | Protect the natural environment**
We will manage the use of soil, water, air, biodiversity and natural resources to minimise negative impacts, and encourage the preservation and sustainable use of finite resources which are constrained or threatened.

**Principle 2 | Protect people and communities**
We will respect and uphold human rights and labour standards; and protect the health and safety of people and local communities.

**Principle 3 | Protect cultural heritage**
We will protect and preserve the unique aspects of Mongolian culture such as our traditions and language, as well as our cultural, historical, archaeological, and paleontological heritage.

**Promote**

**Principle 4 | Promote “green economy” growth**
We will promote projects and other activities that contribute to a greener, cleaner economy in Mongolia.

**Principle 5 | Promote financial inclusion**
We will promote a more inclusive financial system in Mongolia by increasing access to financial products and services, providing financial education, and ensuring consumers are better protected.

**Principle 6 | Promote ethical finance and corporate governance**
We will not finance certain “excluded” activities, we will not tolerate unethical or criminal behaviour, and we will encourage and support improved practices relating to ethics and corporate governance.

**Principle 7 | Promote transparency and accountability**
We will promote transparency and accountability and report on our progress against our sustainable finance commitments.

**Lead by Example**

**Principle 8 | Practice what we preach**
We will apply the same considerations to our own Business Operations that we are asking of our clients and will, as a sector, lead by driving positive environmental, social and economic development in Mongolia.
ROADMAP FOR ACHIEVING SUSTAINABLE DEVELOPMENT THROUGH SUSTAINABLE FINANCE

2003: Sustainable finance brought to the attention of a few banks in Mongolia

2013: All banks in Mongolia declare their commitment to the implementation of the Mongolian Sustainable Finance Initiative

2014: Mongolian banks approve the Mongolian Sustainable Finance Principles

2014: The Parliament of Mongolia adopts the “Green Development Strategy”

2015: All banks start to implement the Mongolian Sustainable Finance Principles in their operations

2016: Mongolia becomes a role model for sustainable finance

2016-2020: Business sectors develop their own E&S risk management principles and integrate them into their operations

2020: Mongolia secures green economic infrastructure and financial system

2025: Through joint efforts Mongolia creates sustainable finance and E&S friendly systems

2030: A sustainable future for Mongolia

COLLABORATION OUTCOMES

MONGOLIA

Mongolia becomes an exemplary nation of sustainable development, where the issues related to water and health, sustainable energy, sustainable agriculture, environment, biodiversity and ecosystems are well-managed; financing mechanisms are designed for resolving poverty and environmental degradation issues; pro-green development systems are in place; and where the economy, environment and society are well-balanced.

BANKING SECTOR

There will be full potential to create new environmentally and socially friendly products; expand accessibility of services and markets; and implement social responsibility and lead the other sectors; while the domestic banking sector will become internationally competitive, attracting capital from overseas. With the sustainable financing system, Mongolia’s banking sector will have an opportunity to transform into not only a regional but also an international sustainable finance center, a leader amongst developing countries.

BUSINESS SECTOR

There will be more potential to expand the business with operational integration of good governance and risk management principles, increased management capacity and efficiency. There will also be opportunities to advance business reputation in both the domestic and international markets and clients to further increase sales, business and markets themselves.

CITIZENS-SOCIETY

The future generation will be educated and grow up to learn how to properly utilize natural resources within the limits of the ecosystems’ regeneration capacity; to protect nature; and to maintain and protect the conditions required to live environmentally and socially friendly lives.
COLLABORATION TO BUILD A SUSTAINABLE FUTURE

It is important for each stakeholder to engage in this Initiative in order to ensure successful implementation of sustainable finance in Mongolia. If other sectors join forces and collaborate in unity, Mongolia has the full potential to become a role model through its sustainable finance development model.

We invite you to join us on the journey to create a sound and sustainable future!